

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Gabriel Valley Water Company (U337W) for Authority to Increase Rates Charged for Water Service in its Fontana Water Company Division to increase revenues by \$11,573,200 or 39.1% in 2003; \$3,078,400 or 7.3% in 2004; \$3,078,400 or 6.8% in 2005; and \$3,079,900 or 6.4% in 2006.

Application 02-11-044
(Reopened July 29, 2005)
(Rehearing)

In the Matter of the Application of San Gabriel Valley Water Company (U337W) for Authority to Increase Rates Charged for Water Service in its Fontana Water Company Division by \$5,662,900 or 13.1% in July 2006; \$3,072,500 or 6.3% in July 2007; and \$2,196,000 or 4.2% in July 2008.

Application 05-08-021
(Filed August 5, 2005)

SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER

Summary

San Gabriel Valley Water Company (San Gabriel) has filed this general rate increase application seeking new rates in its Fontana Water Company Division for Test Year 2006/2007 and Escalation Years 2007/2008 and 2008/2009. A prehearing conference was held on September 29, 2005. Pursuant to Rules 6(a)(3) and 6.3 of the Commission's Rules of Practice and Procedure, I am issuing this scoping memo and ruling to confirm the proceeding category and need for hearing, establish the issues and timetable, and designate the principal hearing officer.

Scope of the Proceeding

This proceeding will address the following issues:

1. What revenue requirements, rate design, and rates should be ordered for San Gabriel's Fontana Water Company Division for Test Year 2006/2007 and Escalation Years 2007/2008 and 2008/2009?
2. What figures should the Commission adopt for the standard components underlying its adopted revenue requirement and rate design, including but not limited to: general office expenses, investments and allocations to districts; itemized results of operations at present and adopted rates; financial structure, cost of debt and equity, and return on rate base; growth and sales forecasts; depreciation rates and reserves; quantities necessary for later offset calculations, etc.?
3. Should the Commission grant the additional relief San Gabriel seeks relating to various memorandum and balancing accounts (i.e., establishing, making entries, and/or amortizing recorded amounts in rates)?
4. Should the Commission authorize any other relief, impose any requirements or conditions, or make any other findings in connection with its order in this general rate case?
5. In regard to the rehearing ordered by D.05-08-041 in A.02-11-044, the issues are:
 - A. (1) Has San Gabriel met its burden of proof regarding its request for a rate increase, or are there special circumstances warranting an exception;
 - (2) Were San Gabriel's proposed construction projects reasonable;
 - (3) Is there evidence supporting the finding that \$2.6 million was invested in plant F-10; and
 - (4) The circumstances regarding San Gabriel's working cash accounting.
 - B. All issues in 5.A. will be decided on the existing record in A.02-11-044, and briefs to be filed by the parties.

6. The Audit Report of the Water Division dated August 2005 will be considered in A.05-08-021.
7. Issues regarding reclaimed water.

As the proceeding moves forward, parties should develop the record with an eye toward explaining how the positions they take: (a) promote both reasonable rates and short and long term utility viability; (b) affect the utility's ability to ensure water quality in the short and long term; (c) increase customer and utility conservation incentives; (d) affect infrastructure development and investment; (e) moderate rate impacts on low income customers; and (f) make the Commission's regulatory and decision-making processes more timely and efficient.

Motions

The motion to sever the rehearing of A.02-11-044 from being heard with A.05-08-021 is denied. Nevertheless, it is expected that a decision on the rehearing will issue before a decision on A.05-08-021.

The motion to issue an OII in conjunction with A.05-08-021 is denied.

Timetable

This proceeding will be processed according to the Commission's Rate Case Plan for Class A Water Utilities (Decision 04-06-018). I believe that reasonable parties should be able to discuss their differences and arrive at commonly agreed-upon positions on many, if not most or all, of their issues well in advance of the evidentiary hearings. The Commission's Rate Case Plan for Class A Water Utilities anticipates such discussion by providing additional time for what it terms "Formal Settlement Negotiations" beginning the week after the utility serves its rebuttal testimony. Waiting until all parties have hardened their positions before serious discussions begin, however, not only generates more work in preparing testimony on topics that might be settled, but makes it more

likely that the parties will bring those hardened positions into the hearing room. To ensure the parties explore their differences early on, this Scoping Memo sets a date on which the parties are directed to meet and confer at an initial settlement session *before* finalizing their testimony, and a second prehearing conference at which they must report on their progress. San Gabriel and ORA shall arrange a mutually agreeable time and location for the initial settlement session. Both are required to attend the initial settlement session and other formal parties are encouraged to do so. The proceeding schedule is as follows:

October 28, 2005	Audit report responses (San Gabriel)
November 3, 2005	Initial settlement session. Time and location to be arranged by San Gabriel and ORA
November 10, 2005	Concurrent opening Rehearing Briefs
November 15, 2005	Second Prehearing Conference, 11:00 a.m., Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco
November 17, 2005	Public Participation Hearing in Fontana Performing Arts Center Auditorium 9460 Sierra Avenue, Fontana, CA 92335 2:00 p.m. and 7:00 p.m.
November 29, 2005	Commission staff and other parties serve direct testimony and exhibits
December 5, 2005	Concurrent closing Rehearing Briefs
December 7, 2005	Audit report responses (all others)
December 15, 2005	San Gabriel serves rebuttal testimony
December 21, 2005	San Gabriel Audit Report Rebuttal
January 9 - 12, 2006	Evidentiary Hearings in Fontana (location to be announced)
January 18 – 20, 2006	Evidentiary Hearings in San Francisco 505 Van Ness Avenue, State Office Building San Francisco, CA 94102

TBA	Opening briefs
TBA	Reply briefs; proceeding submitted

Category and Need for Hearing

This ruling confirms that this is a ratesetting proceeding and that a hearing is required, as preliminarily determined in Resolution ALJ 176-3157.

Principal Hearing Officer

Administrative Law Judge (ALJ) Robert Barnett is designated as the principal hearing officer (Rule 5(l)), and thus will be the presiding officer under Rule 5(k)(2).

Final Oral Argument Before the Commission

Any party wishing to exercise the right under Rule 8(d) to make a final oral argument before the Commission must file a written request and serve it on all parties and the assigned Commissioner and assigned ALJ not later than the last day of evidentiary hearing.

IT IS RULED that:

1. The issues to be considered are those described in this ruling.
2. The timetable for the proceeding is as set forth herein.
3. This is a ratesetting proceeding.
4. A hearing is needed.
5. Administrative Law Judge (ALJ) Robert Barnett is designated as the principal hearing officer.
6. Any party wishing to make a final oral argument before the Commission must file a written request and serve it on all parties and the Assigned Commissioner and assigned ALJ not later than the last day of evidentiary hearing.

Dated October 20, 2005, at San Francisco, California.

A.02-11-044, A.05-08-021 JB2/RAB/eap

/s/ JOHN A. BOHN

John A. Bohn
Assigned Commissioner

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Scoping Memo and Ruling of Assigned Commissioner on all parties of record in this proceeding or their attorneys of record.

Dated October 20, 2005, at San Francisco, California.

/s/ ERLINDA PULMANO

Erlinda Pulmano

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.